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**SOCIALIZED
BUT NOT
SOCIALISTIC**

By Robert N. Wilkin

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Box 350

FOREWORD

By Publisher

The following discussion of our present social trend was first published in three installments in Finance and Industry (June 22, 27, July 5, 1931) under the title "Socialized Unawares". It at once excited a very general interest and comment. It was reviewed and recommended by Dr. H. Gordon Hayes, Professor of Economics in O. S. U., in one of his radio talks from station W.E.A.O.

In order to meet the demand for extra copies and give the discussion a wider circulation among our readers and patrons and their friends this revised reprint has been made.

The Publishers

FINANCE & INDUSTRY

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The Modern Order

A NEW SOCIAL ORDER is upon us. Political revolution established our independence and social evolution has established our interdependence. We do not fully realize how far we have advanced toward collectivism. Slavery, serfdom, feudalism have gone. And now capitalism is not so comfortable under present conditions. It must modify its ways, if it is to stay. The forerunners of collectivism have been so satisfactory, so ingratiating indeed, that their principal—or at least their principle—now enters without question. Only a decreasing few would prolong the stay of extreme individualism with its haphazard methods and its policy of every fellow for himself and the devil for the hindmost.

Our municipal life is already quite communized. The nozzle of the old town pump has been extended until it fills every aquatic need—public, industrial and domestic. The old street lamps have been developed into a system that illuminates every office, factory and home. Sewers, sanitation, parks, playgrounds, schools, libraries, streets and ways are absolutely communal. And such community enterprise has extended to state and federal highways, waterways, parks, libraries and departments too numerous

to mention. Utilities like railroads and electric transmission lines which have grown beyond the confines of municipal affairs, have been brought under the control of state and federal commissions. Postal savings banks, industrial insurance, compulsory liability insurance, minimum wage laws, old age pensions and unemployment insurance (now pending before many legislatures) show our socializing trend.

The influence of religion, the developments in science, and the efforts of industry itself have all helped to produce the new social system. Their combined effect has tended to emphasize the importance of personal rights over property rights, to stress the brotherhood of man and demonstrate the interdependence of industries, to transform competition into cooperation, to convert an inordinate concern for private gain into a decent consideration for the commonwealth, in short, to substitute for the egoistic-capitalistic mind, a social consciousness and conscience. A brief survey of the social effects of the progress in these three fields of human endeavor ought to help us to understand this transitional period and assist us in planning our future.

The trouble is that most of us are so engrossed in our private affairs that we do not understand the evolutionary

processes at work in our economic and social life, and our ignorance blocks their progress. In a country like ours, progress is particularly dependent upon public sentiment. We are suffering economic ills which are the result of our ignorance, and our mental inertia stands in the way of relief. Many business men, industrial leaders, and politicians oppose all social innovations because they fear Socialism. And by damming the stream of progress they increase the danger of a flood. But the time has come when we must relieve the pressure or be inundated. As has been said by a man of perspicacity and force of expression,

"We have got to do some tall thinking and wise acting to readjust the economic structure of the whole world without precipitating a condition of chaos." A consideration of our social condition with reference to (1) the influence of religion, (2) the developments in science, and (3) the developments in business and industry, ought to help us to understand the issues that are before us. The subject is very broad and very complex. We cannot attempt a complete analysis and discussion in a technical sense. We can, however, relieve our minds of certain prejudice, come to a better understanding of terms and principles, and open our hearts for an unbiased consideration of measures

proposed for improvement of conditions.

Religion and Business

RELIGION is the very source and essence of this social influence. The spirit of human solidarity was born with the Christian era. Christianity has done more than any other scheme of life to give men a sense of social responsibility, it has constantly bid men to create a social order founded on their essential interdependence—their brotherhood. Its influence has been against extortionate prices and usury, and in favor of fair wages and distributive justice. It has constrained the strong to protect the weak, not to dominate and exploit them. As the Dean of the Divinity School of the University of Chicago says (in The Forum for February), "Human progress follows the democratizing of privilege. This is the real meaning of Love as Christ taught and embodied it. For love is more than sentimentality. It is the expression of the cosmic process of coordination and integration on the level of personality." There is nothing new under the sun; yet the importance of personality has continually developed in the light of the Son. In this light, life is continually elevated above a property level. Even

If one denies Christianity's claim to divine revelation, one can hardly deny that it has proved to be a very practical religion. It has succeeded in teaching the great mass of humanity to answer brother Cain's question in the affirmative.

Due to the church's teaching of respect for civil authority, which led it into opposition to revolutionary socialism, many leaders of the socialist movement have opposed the church as the champion of capitalism. But there is little difference between the attitude of true religion and the attitude of enlightened socialism with reference to property. Socialism would remove the cause of avarice and greed and discredit mere owning, profiteering and genteel idling; and religion emphasizes charity, service, and the worship of God instead of Mammon. When the Pope's Encyclical Letter on Labor says that "Man should not consider his outward possessions as his own, but as common to all" and favors "more general distribution" and "equitable division," we can hardly be expected to consider as anathema G. B. Shaw's demand for "an equal share to everybody." F. J. Ebele says well, in The Commonwealth of March 4, "Fundamentally it seems that the great demands made by all honest labor in our age are suppressed Catholicism." And

Shaw has said, "Communism, being the lay form of Catholicism, and indeed meaning the same thing, has never had any lack of chaplains." Religion indeed has so effectively socialized our attitude toward property that at last there is a general acceptance of the idea of "Christian stewardship." We now hear the economists recommending that we substitute for our old selfishness "an economics of stewardship."

A revealing instance of the practical social effect of this religious influence is found in the much-scoffed-at Rotary Club. The old style LOYAL and PROTECTIVE fraternal orders have been superseded in popular esteem by the SERVICE clubs. The men of Main Street have learned to consider the underprivileged and have championed the crippled child. It is a sign of advancement that this new social interest aims at the removal of the cause of pauperism. Its aim is not mere almsgiving with its attendant pride in the patron and humiliation in the pauper. It does not aim to maintain the bread line; it tries to enable the men in the bread line to maintain themselves. If men must be kept, let them be kept in employment and self-respect.

Whereas the interest of religion was formerly in theology, in our day it is in sociology.

Effect of Science

THE effect of all scientific development has been to broaden and unify human interests. Both the method and the aim of science is co-operation. It tries to discover and bring into cooperation all the forces of nature. The scientist believes, as Wiggam says, "That now is the time to make the world livable, clean and decent, to adjust its social forces, reduce its evils, and bring gaiety and health and sunshine and hope and freedom into the everyday lives of common people." Science can't be individualistic. The great scientists, like Pasteur and Edison, are benefactors not alone of individuals and nations, but of all humanity. And as to our scientific inheritance, we are all joint heirs and tenants in common. Travel and communication, facilitated by modern inventions, have swept over all boundaries, national, state and private. We are citizens of the world and neighbors of the Eskimo and Hottentot. Social conditions in Liberia are our present concern.

When the scientists are called upon to answer the charge that our highly mechanical age has destroyed our ease and our faith, they justify the mechanical developments by pointing out their socializing effect. "Toward Civ-

ization" is replete with such defenses. The radio, for instance, takes on the free property of its medium the air. It eludes the thought of private ownership. The great broadcasting stations could not possibly be operated on the old competitive basis. They had to seek control by government. And, as Dr. Cadman said, at the celebration of the anniversary of the first broadcasting of religious service, the influence of the radio makes us feel the "oneness of man," and justifies our faith that "struggling and disrupted humanity shall finally become one family."

Even the stolid old law yields to the social influence of scientific invention. The development of aircraft has forced our courts to place limitations upon one of the most sacred of Anglo-Saxon private rights, the ownership of land. Such ownership was held from earliest times to extend to the heavens—*ad coelum*, according to the old legal maxim. But so great has become the social interest in the free use of the air, that our courts have felt constrained to change by judicial fiat the boundaries of heaven and earth in order to bring into social subjugation man's egotistic claim to celestial ownership. The courts have declared that a flight over one's land is not a trespass, and that even a forced landing is

only a limited trespass. And this is but one of numerous instances in which private right is forced to yield to social justice. Our courts are redefining justice in sociological terms. (For further discussion on this point see "Socialization of The Law" by same author in *Am. Bar Journal*, p. 119, Feb. 1931).

The course of development in modern medicine has been very largely from private to public, from individual to social. Disease may be a very personal matter, but the treatment of disease, and especially the prevention of disease, have come to be matters of public concern—instance, the public hospitals, free clinics, school nurses, community nurses, and prevention by the control of light, air and food. The government is quite socialized in its departments of health, national, state and city.

Economic Forces

WHILE these socializing influences have been at work in religion and science, strong economic forces have been at work to the same end in business and industry. The urge to curtail the waste of competition, to decrease overhead expense, and effect other economies that result from coordinated and concentrated operation, together

with man's desire to grow bigger, has forced merger upon merger. And as ownership is centralized, monopoly results. And government is then required to extend its influence in order to control monopolistic power. A few years ago there was popular clamor for the elimination of the middle man and the jobber's profit. Now the popular clamor is for regulation of the chain stores. But the tendency is to extend chain-store operation to all business; because manufacturers wish to control the merchandising of their products. And the economic necessity of controlling production and regulating prices forces manufacturers of similar commodities into trade associations and combines. Concentration of industry requires concentrated capital. And the control of business therefore centralizes in a few financiers. In order to protect the interest of the public, our national government then extends its influence by means of Federal Trade Commission, Interstate Commerce Commission, Federal Reserve System and otherwise. Thus capitalism itself has evolved collective forms which have taken it far beyond the control of the individual private investor and made it dependent for its very existence on government guidance and regulation. The old theory as to the deleterious effect of governmental interference is worn

out. So long as it is fair and sane—not mere balking for political effect—governmental regulation has come to be welcomed by the great corporate managers. Business is done with such speed that it feels the need of some stabilizing influence. Recognizing the interdependence of all industries, it welcomes an impartial control of each for the benefit of all. It was this state of affairs I presume that induced G. K. Chesterton to say, "But meanwhile the old private property and liberty were being absorbed or destroyed, not by the Socialists, but by the Capitalists. They are being destroyed by the Trusts; by the sort of Business Government now everywhere prevailing."

The very general effect of these developments is to cause individual enterprise to pass out of the picture of national life and to cause prices and wages to become standardized. Chain store managers are rapidly supplanting the individual owners of competing shops on Main Street. They are relieved of the hazards of business, but their salaries and hours are fixed. And large combinations of capital brought about correspondingly large labor unions, and the result of this was again standardization of work and wages. As rates and prices are fixed by government and salaries and wages are

standardized by collective enterprise, we of course tend to comply with the social demand for state control and equal distribution of national income.

The present business depression has forced us to acknowledge that a more general distribution of profits is not a mere socialistic dream—it is an economic necessity. Our economists explain the depression by saying that the increased production resulting from the increased use of machinery has concentrated wealth into fewer hands and has greatly decreased the purchasing power of the laboring class. Hence we have men in want amid plenty. The remedy for overproduction is increased consumption, and that can be brought about only by more general distribution of profits. That something must be done to remedy the condition is the demand of all. An enlightened people will no more submit to epidemic depression than to epidemic disease. They demand that their doctors of medicine and directors of business bring such things under control. The causes of all such epidemics are enemies of society, whether carriers of germs or carriers of greed.

In response to this general demand for relief, we now hear the sociologists and politicians uttering the commonplace of socialist thinking. Stuart Chase, in Harper's for November, 1930,

suggests "an alliance between industry, trade associations and government to control investment." Professor Fairchild of New York University, in the Virginia Quarterly Review for January, boldly prescribes "the common ownership of the productive plant." And Elmer Davis, in his interesting answer to the question "Can Business Manage Itself?" (Harper's for March) quotes the American Engineering Council and a member of the President's cabinet to the general effect that some competent governmental agency must be established for coordinating and unifying our industrial effort and balancing the forces of consumption, production and distribution. And a prominent business man, "devoted to the present system," is quoted as saying that "unless the greed of private management is somehow abated it is likely to drive American business into control by the government almost as rigid as that in Russia."

Mr. Davis then adds, "No more of unrestrained individualism; the manufacturer will be told exactly what and how much the general welfare requires him to produce, he will be supplied with labor and material for that and no more." And then he says, "This is not Socialism, be it observed; it sets up no such tyrannous governmental machine as that of Russia."

But it is socialization of industry. It is the subjugation of business to the laws of economics. True, it is not Bolshevism. As Karl Kautsky says, Bolshevism is mere "slavery and oppression." We are too far advanced in our political, social and industrial development to fear that. But to avoid Bolshevism, we do not have to adhere to the practices of the industrial privaters. We have come to the point where we frankly recognize the need of a Peace Industries Board (to borrow the phrase of Stuart Chase in Harper's for June) for the purpose of coordinating industries, and directing their efforts to our economic and social needs.

Detached Approach

THE sooner we dispel our prejudice and fear and adjust our mental machinery to the new conditions, the sooner we shall begin to realize the full benefit of our progress. The sooner we determine our present bearings, the sooner we shall be able to chart our future course intelligently. Complex problems are before us. There are many delicate adjustments to be made to our social organism. We should cultivate the scientific mind and proceed by experiment, observation and notation; blinking none of the facts. Rather than waste our efforts in futile

attempts to oppose the progress of social evolution, we should adjust our sails to the prevailing wind.

The socializing influence of the day is not a revolutionary movement, nor even a party program. It is constructive, not destructive; is too far advanced to be revolutionary; and is at work in and through all parties. It has become too general to belong to a particular party. And our social evolution should not be confused with Bolshevism. A gigantic task of political, industrial and social development lies ahead of Russia before it can reach our state of civilization. The despotism of the Czar could be exchanged for the despotism of the Soviet in Russia. But the Anglo-Saxon race is not likely to exchange its political heritage for such "slavery and oppression." We will not trade our birthright for such a mess of pottage. Neither should we fear that a more liberal social adjustment will rob the human mind of all incentive to endeavor. The incentive value of the capitalistic arrangement has been overestimated. The greatest achievements of history have not been prompted by hope of financial gain. Even the great captains of industry, like Andrew Carnegie and Cecil Rhodes, who had the intelligence to win the battle for property, had also the intelligence to com-

prehend the futility of the victory. They, like John Ruskin and William Morris, considered themselves administrators of that part of the national income which they were able to garner, and tried to rest their fame upon accomplishments more worthy. The acquisitive quality of mind is not sufficiently admirable to satisfy the challenge of life that is felt by such outstanding characters. And the feeling is now quite general that "The true perfection of man lies, not in what man has, but in what man is." And even the most ardent advocates of the incentive value of avarice are at last ready to acknowledge that their theories must have some limitations. For instance, we have learned that no permanent good can result from stock-market gambling.

And on the other hand, while the capitalists advance toward the socialization of our industries, our socialist leaders should be inclined to meet them half way (Norman Thomas himself gives some evidence of such an inclination). When the capitalists themselves are heard to say, "High wages, short hours, low prices are now seen to be the only things that can, in the interest of the solvency of capitalism keep our industrial order a going concern," the socialist leaders are apt to feel too jubilant. And there is danger

that we might lose our balance in a too-far swing. The Socialists should take care lest they kill the goose that lays the golden egg. They should not sacrifice our wonderful industrial development which is the envy of Russia. Our industrial development has been accomplished under the capitalistic regime and we still have use for it in modified form. It has been a step in our progress and we should not give up our foothold until we are sure of a new footing. Our present purpose is equitable distribution and control of industrial enterprise for public welfare. Our country does not want absolute government ownership.

It is probably not necessary to emphasize that by **SOCIALIZATION** and **SOCIAL EVOLUTION** we do not mean **SOCIALISM**. Socialism as a party movement is too close to Bolshevism and Sovietism. They are opposed to private ownership and antagonistic to our free institutions and representative government. While we march steadily forward in the line of social development, we should be on constant guard against those open forces and insidious influences that would destroy the very foundations of our civilization. There are many associations at work in our midst under very attractive names whose purpose is to destroy our political and economic structure. Some of them

are direct agents of the Russian Soviet government. If they should prevail, our churches and our homes would be lost; the government would rear our children; and we should cease to be free individuals and become subjects of the state.

We have democratized our political life, but we do not have, and do not want, pure democracy. So we should socialize our industrial life, but we should not expect pure socialism. We should never lose sight of the fact that there is a proper sphere for individualism, and that some private property is necessary to maintain it. Even though the tendency is to communize our property, we should not communize our personalities. As our social development releases our intellects from their thralldom to property, we should not enslave them to the mass mind. In short, we should try to understand the ways in which the ideals of individualism and the ideals of socialism complement each other. We should keep to the high road between the two extremes.

We should not approach the problems before us as class issues. We should try to divorce our minds from class prejudice and personal interest. An open-minded survey of recent history should convince us that our welfare is dependent upon our observance

of economic laws, which are no respecters of persons or classes. And such a survey should dispel our false hope that some legislative enactment can be a panacea for all our social and economic ills. Laws may be discovered and declared, but they cannot be made. It is our duty to discover underlying principles and conform our conduct thereto. The anti-trust statutes have been unable to justify the economic crime of cut-throat competition. They have been unable to stay the progress of cooperation. And indeed we should not expect a panacea from any source. We should be suspicious of any cure-all recommendation. Evolution is a slow process. And as man advances, he becomes conscious of new evils. The need of adjustments is always present.

But we should not allow such thoughts to bring us to a feeling that all effort is futile. We should be alert to the change of the times and ready to alter our conditions to the changed conditions of each new day. The following are some specific recommendations that are now worthy of our careful consideration.

Recommendations

1. Anti-trust laws (Sherman and Clayton Acts) should be repealed, or at least greatly modified. Govern-

ment should encourage, not forbid, cooperation and coordination. The economies of unification are of more importance than the benefits of competition. There are better ways for the government to protect the people against monopolies than by compelling competition.

(2) **Basic industries must be regulated.** They must submit to that control which is necessary to keep business on a sound basis, make it steady, and prevent over-production, depression and extortion. This is the price that must be paid for the benefits of recommendation number 1. This recommendation should not shock anyone. Banks and utilities have been subjected to such regulation for some time. And the results have been generally good, although there is room for improvement in methods. In order to carry out this recommendation, Stuart Chase suggests a Peace Industries Board (Harper's, June), and Charles A. Beard suggests a National Economic Council (Forum, July), and men of such extremes of position as James W. Gerard of the National Civic Federation, and former ambassador to Germany, and Matthew Woll of the American Federation of Labor, seem ready to support such a suggestion.

(3) **A more economic and more equitable distribution of wealth must be provided.** This would follow in large part from 1 and 2 above. If business could be stabilized, the evils of competition reduced, and fair prices assured over a long period, the temptation to extort and hoard would be greatly reduced. If production and purchasing power are kept in fair balance, there would be no occasion to build excessive reserves for periods of depression. It is much better to provide for all classes by fair distribution than by the dole or unemployment insurance or private charity.

(4) **We must have better men in our public offices.** Our public affairs have been too much and too long in the hands of second- and third-rate men. Politics must be made a more creditable profession. When our government is adjusted to the needs of our day and exercises the influence on business which is necessary, men will not dare condemn politics. We must train our best youth for our public needs and devise ways of selecting first-rate men for office. As Will Durant says, we need a Civil Academy as well as a Military and a Naval Academy, in order that government may become a science instead of a racket. Harold

J. Laski thus states our need: (Harp-er's, July). "Today the United States stands in need of political leadership as at no period in its history. Its institutions, both central and local, need remaking. It requires the trained mind in its affairs. It cannot afford the corruption and inefficiency that have been characteristic of political life, and that the more when circumstances have forced it to play a pivotal part in the determination of international relationships." (For further discussion on this point see "Wanted a Government of Men, Not of Laws" by same author in Finance & Industry, Oct. 12 and 19, 1931).

(5) **We should enter the League of Nations.** The World War and the present depression should teach us the futility of our attempts to play a lone hand. Since increased trade and improved facilities of communication and transportation make us subject to world conditions, we should wish to do our part to determine and maintain those conditions aright. It cannot be otherwise; we stand in our own light when we oppose this logical advance in social evolution. By withholding our support of the League, we antagonize other nations against us and contribute to the unsettled condition of world affairs. (The economic necessity of

this recommendation is forcefully presented by R. L. Buell in several articles in Forum during this year). As Dr. Nicholas Murray Butler says, the age of nationalism has passed forever, and we are on the threshold of "an era, not of nation-building but of the new intellectual, economic, political, social cooperation of nations in a peace-loving, an orderly, a liberal-minded and a progressive society of nations." The task of politics has been to unify individuals into a state, and now it shall be to unify states into a League.

Spiritual Awakening

These are a few of the specific recommendations which should serve to adjust our living conditions to the needs of the new era. But the greatest benefits will, of course, follow in a broad and general way from our awakened social consciousness and conscience. The foolishness of selfishness has become apparent. Selfishness defeats its own aim by antagonizing all the rest of the world against it. We have come to a recognition of our interdependence in all things. We acknowledge that business too is subject to the moral order of the universe. We cannot violate that order with impunity. We must play the game according to its rules, if the game is to

be worth the candle. To try to beat the game, is but to delude ourselves. If the rewards of the game should go to him who is most avaricious and deceptive, what manner of man should we expect to succeed, and what permanence or value could there be to his success? But the leaders of business are not deceived. Our social advancement affords them a truer vision. It gives them very practical ideals—but ideals nevertheless. Business is becoming imbued with a kind of chivalry which is more efficacious than statutes. It will remedy many wrongs. It has put a heart into industry, and out of that heart will come new issues of life.

The inordinate power of money will pass away. We have known and complained that it has tyrannized over us. But we now see that what makes money the tyrant of people is people's great reverence for it. When we assign it its proper place, it will no longer be a basis for class distinction, and the vulgar and repulsive display of it will be ridiculous. Our surplus resources should be so husbanded and distributed that a man's income will be a matter of minor importance. The community will be so rich as a community that the individual will share in the general well-being without having to give all his waking hours to a

meagerly struggle for dollars. The man of culture will have a little edge on the dollar drudge, and the peanut-headed scion of a wealthy family will no longer be more fortunate than a man of brains. Personality, not pelf, will be at a premium. Practical Christian ideals will of necessity be our social ideals, and we shall be held to the golden mean between the extremes of socialism and individualism. The confessed failure of the old hard-boiled capitalistic system gives us these hopes. A calamity usually brings a spiritual awakening. And such an awakening—and, as a consequence, a better understanding—is the real jewel in the head of this depression-load.

Conclusion

The tendency of one extreme is to produce another. Every idea, every situation in the world leads irresistibly to its opposite, and then unites with it to form a new idea or a new order. Evolution is largely the development of oppositions and then their reconciliation. This principle of balance, this unifying movement is referred to in philosophy as "identity of opposites" or the tendency to the "golden mean." And so our present social movement is the backwash from the movement for freedom which brought our country into being.

Our new-found liberty in a land of unexploited resources developed an extreme individualism, an extreme capitalism. But now the pendulum swings the other way. And we are uneasy because we do not know how far it will go. There are two extremes of government in the world today—fascism and sovietism—and they both scoff at our democracy, our liberalism. The question is frequently asked, Can we maintain our balance? Can we keep a middle course? Let us try! Let us hold fast what is good while we keep an open mind for what is better. Let us try to reconcile the opposites. Let us remember that truth stands on middle ground. VERITAS IN MEDIO STAT.